



# Memorandum

**TO:** RULES AND OPEN GOVERNMENT COMMITTEE **FROM:** Mayor Chuck Reed

**SUBJECT:** AFFORDABLE HOUSING AND HOMELESS HOUSING FUNDING SOURCE **DATE:** September 16, 2014

Approved

*Chuck Reed*

Date

9/16/14

## RECOMMENDATION

Place the following on the City Council agenda for October 7, 2014:

**Direct the City Manager and the City Attorney to engage in settlement discussions with the County of Santa Clara to resolve an existing dispute over the City/County Pass-through Agreement, with a new agreement to use all the funds in dispute (approximately \$20 million per year) for affordable housing (50%) and housing for the homeless (50%).**

## BACKGROUND

A total of 21,662 affordable housing units (including 6,000 rehab units) were funded by the Redevelopment 20% tax increment revenue set aside from the mid-80's through 2011. That investment equaled \$834 million, making San Jose one of the largest generators of affordable housing in California.

Following the 2011 State approved dissolution of redevelopment, San Jose's primary source of funding affordable housing – estimated at over \$30 million annually – is no longer available. No other permanent source of funding has been identified.

The legislation terminating redevelopment created great uncertainty about the payment of funds and the sequence of the payment of funds, resulting in disputes between the City and County that have not been resolved.

Approximately \$20 million per year and \$50 million accumulated from previous years are in dispute over the City/County Pass-through Agreement. The City has given notice that the terms of that agreement must be re-negotiated due to changed circumstances, as is called for in the agreement.

The dispute over these funds will likely carry on in the courts for years. Yet, both the City and County have placed a high priority on affordable housing and homeless housing. Agreeing on how the money in dispute would be spent on matters that we both agree upon would eliminate the need for litigation and provide significant funding for affordable housing and homeless housing, starting in January 2016.